National Aeronautics and Space Administration
Advisory Council

Audit, Finance, and Analysis Committee

April 25,2013

Members:
Mr. Robert Hanisee, Chairman
Hon. William Campbell
Hon. Michael Montelongo
Dr. Howard Stanislawski
Mr. Jeffrey Steinhoff

Audit, Finance & Analysis Committee
Abridged Agenda

Meeting April 22, 2013

Finance Update	*Pam Hanes, NASA DCFO Agency Financial Management*
Budget Update	*Andrew Hunter, NASA DCFO Agency Budget, Performance, and Strategy*
Conference Cost Reporting	*Joe McIntyre, Special Assistant, NASA DCFO Financial Management*
FY 2013 Financial Statement Audit Update	*Walt Fennell, Price WaterhouseCooper's, Engagement Partner*
Unfunded Environmental Liability Update	*Mike McNeill and Kenneth Kumor, Environmental Management Division*
Unfunded Environmental Liability – Asbestos Estimation	*Michelle Butler, Chief Property Division*
Internal Control Assurances – Beyond Financial Reporting	*Frank E. Petersen III, Quality Assurance Division*

FINANCE UPDATE

Financial Statement Audit Status

- 2012 Corrective Action Plans in Place
  - Identified major themes, corrective actions, timelines, and responsible parties
    - Information Technology
    - Cost Monitoring
    - PP&E
    - Financial Reporting
    - Grants and Cooperative Agreement Close Out
    - Unfunded Environmental Liability (Restoration and PP&E)
  - Tracking status of corrective action plans bi-weekly

Financial Statement Audit Status

- 2013 Entrance Conferences Held
  - General 2/20/2013
  - Unfunded Environmental 3/19/2013
  - Information Technology 4/3/2013
- Process Walkthroughs completed 4/19/2013
  - 4 Centers visited
  - No issues communicated thus far
- New Areas of Interest
  - Internal controls for cost processing
  - Asbestos (New requirement for FY 2013)

Environmental Liability Estimation Process – Asbestos

- Current Situation
  - Asbestos observed at all NASA Centers
  - Wide variation in information available at each Center
  - Only MSFC has developed an estimate for asbestos cleanup cost
    - KSC and GRC have developed databases to support asbestos tracking
  - Data from MSFC, KSC, and GRC indicate that 99.5% of asbestos is in properties constructed before 1981
- Asbestos Estimation
  - Process alternatives have been documented and evaluated
  - Meetings to review NASA's estimation approach with OIG and Independent Auditors held on 3/19/2013 and 4/17/2013

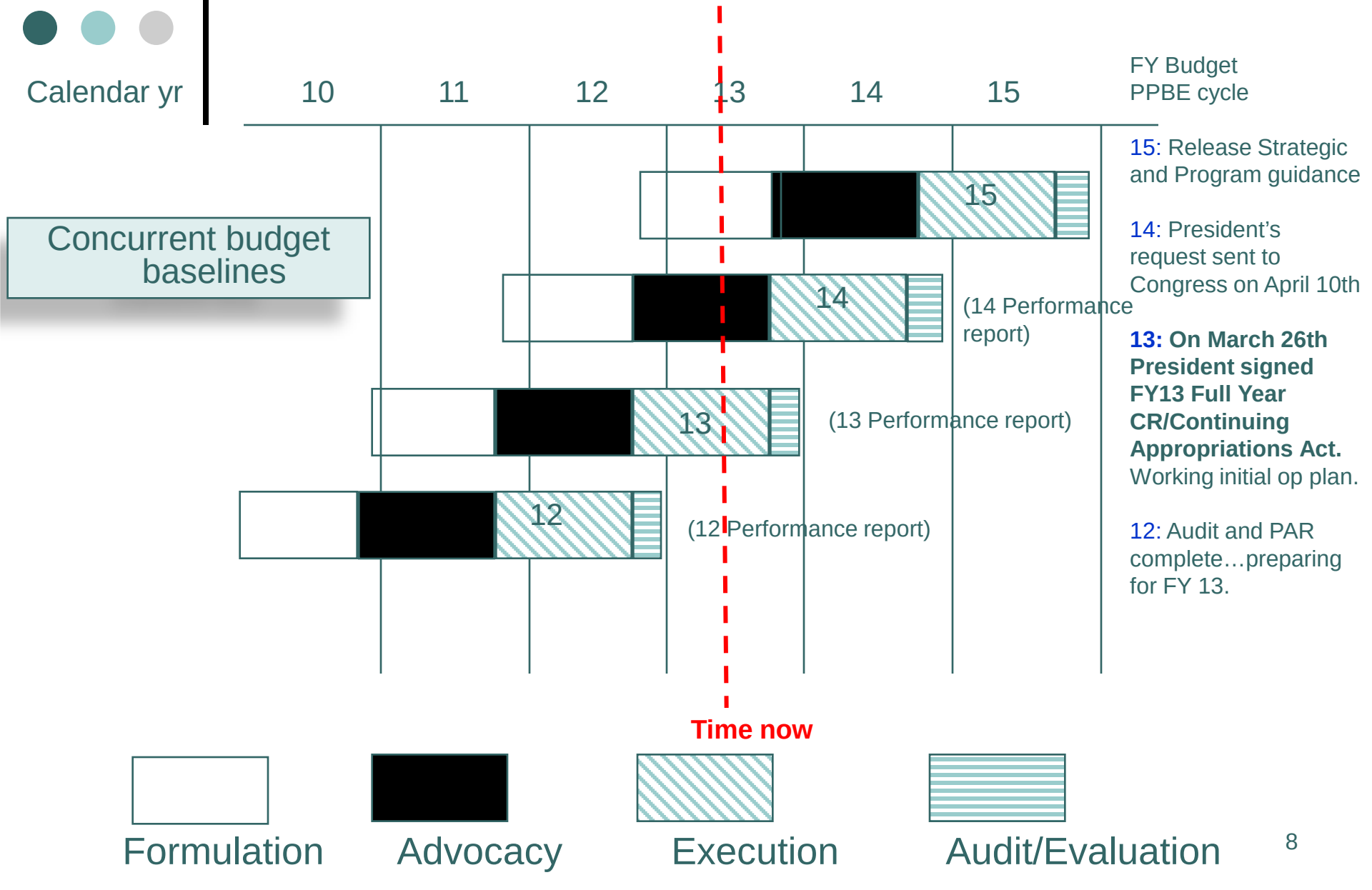
What the DCFO Worries About?

- Staying ahead of the audit process

- Ever evolving external mandates
  - Sequestration guidance
  - Additional internal control assurances
  - Reporting requirements
  - Financial system shared services

BUDGET UPDATE

Budget Cycles In Play



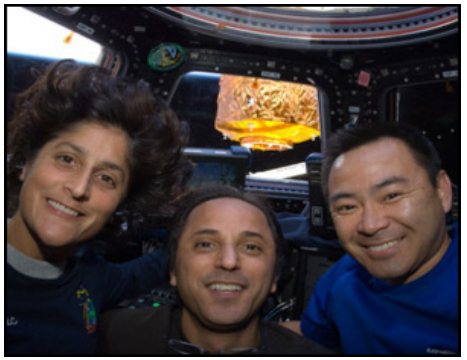
2014 Budget Highlights

- Fully funds the Space Launch System (SLS) heavy-lift rocket and Orion Multi-Purpose Crew Vehicle (Orion MPCV). Funding enables an uncrewed flight test of Orion in 2014 and the SLS in 2017.

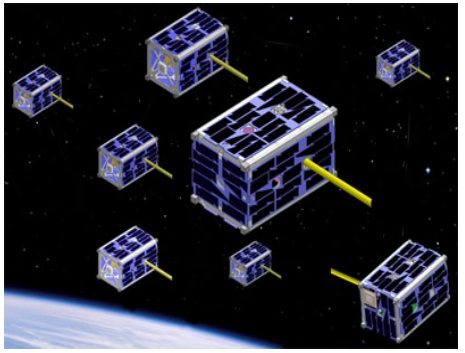
- Fully funds the Commercial Crew Program -- our plan to restore America's human space launch capability -- at a necessary level to ensure we're flying missions by 2017 and that our astronauts are launching from U.S. soil on spacecraft built by American companies. The Commercial Cargo Program is funded to keep already successful operations on track.

2014 Budget Highlights (cont)

- Sustains the operations and vital research astronauts perform each day aboard the International Space Station (ISS).



- Enhances investment in crucial and cutting edge space technologies, such as advanced in-space propulsion and space propellant storage, which will increase what we can do in space, bring the cost of exploration down, and pave the way for other government and commercial space activities.



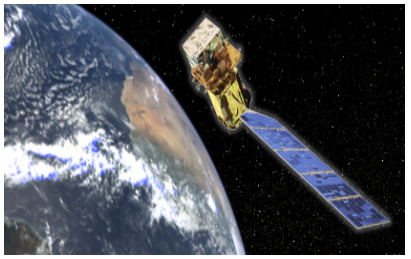
- Strengthens NASA's important role in increasing efficiency and safety of air travel and pushing the boundaries of aeronautics technology, including a new initiative to make lighter composite materials more easily usable in aviation.

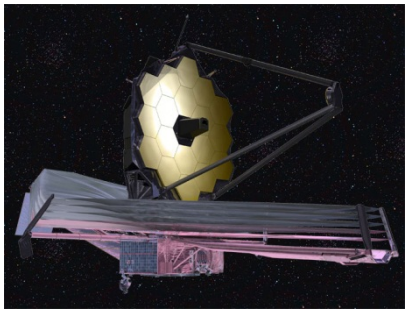
2014 Budget Highlights (cont)

- Funds crucial Earth Science land imaging capabilities beyond the recently launched Landsat Data Continuity Mission, development of climate sensors previously part of NOAA's Joint Polar Satellite System program, and numerous other satellite and research efforts to help us understand the Earth's systems and climate.

- Continues construction of the James Webb Space Telescope, keeping it on track to probe deeper into the universe than ever before when deployed in 2018.

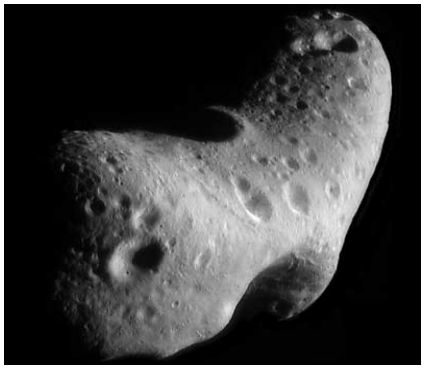
- Following Curiosity's daring landing on Mars, provides for a new Mars rover mission to launch in 2020, continued operations of rovers and orbiters already at Mars, and launch of MAVEN in November to study the Martian atmosphere.





2014 Budget Highlights (cont)

- Aligns relevant portions of NASA's science, space technology, and human exploration capabilities to meet the President's challenge to send astronauts to an asteroid by 2025 and to Mars in the 2030s.



- In support of the Administration's FY 2014 Science, Technology, Engineering, and Mathematics (STEM) Education plan, the Agency's education efforts will be fundamentally restructured into a consolidated education program funded through the Office of Education, which will use competitive processes to fund the best education and public outreach programs within NASA and will coordinate closely with the Department of Education, the National Science Foundation, and the Smithsonian Institution to broaden the reach of NASA's capability to inspire and educate.

Budget Considerations

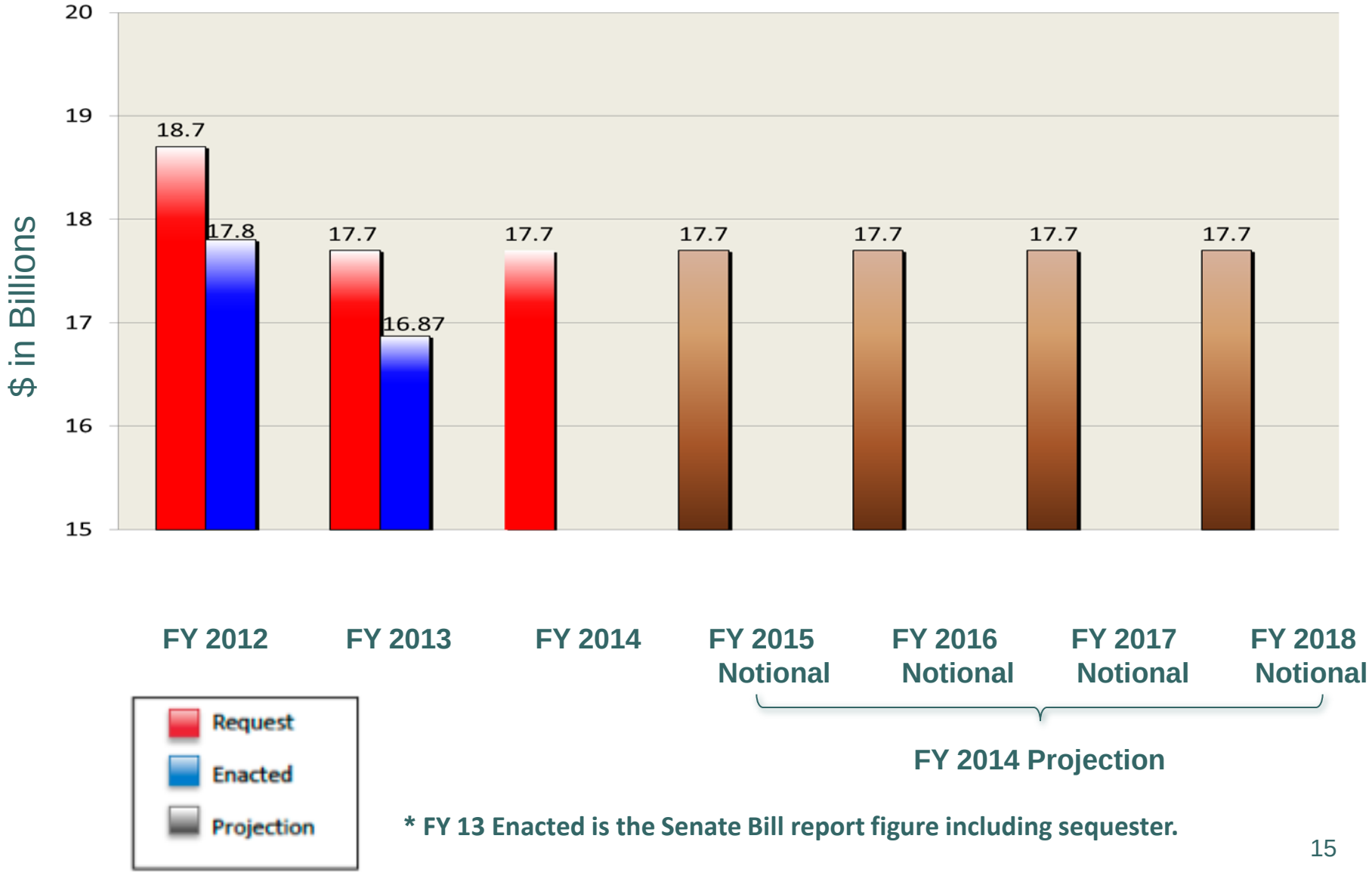
- Sequestration. The President believes we should replace sequestration with balanced deficit reduction.
- Out-year Funding Assumptions. NASA has accepted the challenge to manage to a flat out-year top-line budget. Funding lines beyond FY 2014 should be considered notional. In general, NASA accounts are held at their FY 2014 request level with adjustments.
- Campaign to Promote Efficient and Effective Spending. This budget continues NASA's efforts to improve operational efficiency and maintains reduced spending for service contracting, travel, supplies and materials, printing and reproduction, and IT services.
- Aligning the NASA Workforce.
  - ✓ Aligns human capital with the priority requirements of the Agency
  - ✓ Reduces the rate of re-hiring in FY2014 consistent with budget limitations
- Comparisons to FY 2013. Due to the timing of budget development, (e.g., the FY 2013 op plan is not complete) comparisons cannot be made to FY 2013.

FY 2014 Budget Request

	FY 2012 Actual	FY 2013 Annualized CR	FY2014	Notional FY2015	Notional FY2016	Notional FY2017	Notional FY2018
NASA FY 2014	$17,770.0	$17,893.4	$17,715.4	$17,715.4	$17,715.4	$17,715.4	$17,715.4
Science	$5,073.7	$5,115.9	$5,017.8	$5,017.8	$5,017.8	$5,017.8	$5,017.8
Earth Science	$1,760.5	-	$1,846.1	$1,854.6	$1,848.9	$1,836.9	$1,838.1
Planetary Science	$1,501.4	-	$1,217.5	$1,214.8	$1,225.3	$1,254.5	$1,253.0
Astrophysics	$648.4	-	$642.3	$670.0	$686.8	$692.7	$727.1
James Webb Space Telescope	$518.6	-	$658.2	$645.4	$620.0	$569.4	$534.9
Heliophysics	$644.8	-	$653.7	$633.1	$636.8	$664.3	$664.6
Aeronautics Research	$569.4	$572.9	$565.7	$565.7	$565.7	$565.7	$565.7
Space Technology	$573.7	$578.5	$742.6	$742.6	$742.6	$742.6	$742.6
Exploration	$3,707.3	$3,790.1	$3,915.5	$3,952.0	$3,970.7	$3,799.0	$3,589.3
Exploration Systems Development	$3,001.6	-	$2,730.0	$2,789.8	$2,801.5	$2,818.3	$2,819.5
Commercial Spaceflight	$406.0	-	$821.4	$821.4	$821.4	$590.0	$371.0
Exploration Research and Development	$299.7	-	$364.2	$340.8	$347.8	$390.7	$398.7
Space Operations	$4,184.0	$4,247.8	$3,882.9	$4,014.9	$3,996.2	$4,167.9	$4,377.6
Space Shuttle	$596.2	-	$0.0	$0.0	$0.0	$0.0	$0.0
International Space Station	$2,789.9	-	$3,049.1	$3,169.8	$3,182.4	$3,389.6	$3,598.3
Space and Flight Support (SFS)	$797.9	-	$833.8	$845.1	$813.8	$778.3	$779.3
Education	$136.1	$136.9	$94.2	$94.2	$94.2	$94.2	$94.2
Cross Agency Support	$2,993.9	$3,012.2	$2,850.3	$2,850.3	$2,850.3	$2,850.3	$2,850.3
Center Management and Operations	$2,204.1	-	$2,089.7	$2,089.7	$2,089.7	$2,089.7	$2,089.7
Agency Management and Operations	$789.8	-	$760.6	$760.6	$760.6	$760.6	$760.6
Construction & Envrmtl Compl Restoration	$494.5	$401.9	$609.4	$440.9	$440.9	$440.9	$440.9
Inspector General	$38.3	$38.2	$37.0	$37.0	$37.0	$37.0	$37.0
NASA FY 2014	$17,770.0	$17,893.4	$17,715.4	$17,715.4	$17,715.4	$17,715.4	$17,715.4

Notes:
-- FY 2012 is consistent with submitted operating plans however, for comparability purposes, values for Space Technology reflect the funding for Space Technology related activities executed in Exploration, Space Operations, and Cross Agency Support.
-- FY 2012 Estimates include rescission of prior year unobligated balances, pursuant to section 528(f) of P.L. 112-55, Division B, Commerce, Justice, Science, and Related Agencies Appropriations Act, 2012
-- The FY 2013 appropriation for NASA was not enacted at the time that the FY 2014 Request was prepared; therefore, NASA is operating under a Continuing Resolution (CR) (P.L. 112-175). Amounts in the "FY 2013 annualized CR" column reflect the annualized level provided by the CR. Rescission of remaining unobligated balances of American Recovery and Reinvestment Act funds in the Office of Inspector General account pursuant to section 1306 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203)
-- Funds associated with out-year estimates for programmatic construction remain in programmatic accounts.

NASA Funding



* FY 13 Enacted is the Senate Bill report figure including sequester.

NASA FY 2013 Enacted Direct Discretionary Appropriations
Statistical Table Showing Revised Sequester Amounts (FY 2013 Transfers Not Included)
As of April 17, 2013

	FY 2012 Enacted	FY 2013 Request	P.L. 113-6 Enacted (Pre-Rescisson)	P.L. 113-6 Enacted (with 1.877% resc.)	P.L. 113-6 Enacted (with add. 0.2% resc.)	March 1 Sequester*	Seq. Adj.**, P.L. 113-2*** & P.L. 111-203****	FY 2013 Enacted	FY 2013 Enacted less Request
NASA Total	**17,800.0**	**17,711.4**	**17,862.0**	**17,526.7**	**17,491.7**	**-893.9**	**281.3**	**16,879.1**	**-832.3**
Science	**5,090.0**	**4,911.2**	**5,144.0**	**5,047.4**	**5,037.4**	**-255.8**		**4,781.6**	**-129.6**
Earth Science	1,765.7	1,784.8	1,785.0	1,751.5	1,748.0	-88.8		1,659.2	-125.6
Planetary Science	1,500.4	1,192.3	1,415.0	1,388.4	1,385.7	-70.4		1,315.3	123.0
Astrophysics	672.0	659.4	669.0	656.4	655.1	-33.3		621.9	-37.5
JWST	529.0	627.6	628.0	616.2	615.0	-31.2		583.8	-43.8
Heliophysics	622.3	647.0	647.0	634.9	633.6	-32.2		601.4	-45.6
Aeronautics	**569.9**	**551.5**	**570.0**	**559.3**	**558.2**	**-28.6**		**529.5**	**-22.0**
Space Technology	**575.0**	**699.0**	**642.0**	**629.9**	**628.7**	**-28.9**		**599.8**	**-99.2**
Exploration	**3,770.8**	**3,932.8**	**3,887.0**	**3,814.0**	**3,806.4**	**-189.5**		**3,616.9**	**-315.9**
Human Exp. Cap.	3,060.0	2,769.4	3,054.0	2,996.7	2,990.7	-148.9		2,841.8	72.4
MPCV	1,200.0	1,024.9	1,197.0	1,174.5	1,172.2	-58.4		1,113.8	88.9
SLS	1,860.0	1,744.5	1,857.0	1,822.1	1,818.5	-90.5		1,728.0	-16.5
SLS Vehicle Development		1,340.0	1,454.2	1,426.9	1,424.1	-70.9		1,353.2	13.2
Exploration Ground Systems		404.5	402.8	395.2	394.4	-19.6		374.8	-29.7
Exploration R&D	304.8	333.7	308.0	302.2	301.6	-15.0		286.6	-47.1
Commercial Spaceflight	406.0	829.7	525.0	515.1	514.1	-25.6		488.5	-341.2
Space Operations	**4,233.6**	**4,013.2**	**3,953.0**	**3,878.8**	**3,871.0**	**-212.3**	**163.4**	**3,822.1**	**-191.1**
Space Shuttle	573.0	70.6	70.0	68.7	68.5	-3.8	2.9	67.7	-2.9
Int'l Space Station	2,830.0	3,007.6	2,958.0	2,902.5	2,896.7	-158.9	122.3	2,860.1	-147.5
Space & Flight Support	830.6	935.0	925.0	907.6	905.8	-49.7	38.2	894.4	-40.6
21stC SLC	168.0	41.1	41.1	40.3	40.2	-2.2	1.7	39.7	-1.4
Education	**138.4**	**100.0**	**125.0**	**122.7**	**122.4**	**-6.8**	**6.8**	**122.4**	**22.4**
NASA Space Grant	18.4	24.0	40.0	39.2	39.2	-2.2	2.2	39.2	15.2
EPSCoR	40.0	9.0	18.0	17.7	17.6	-1.0	1.0	17.6	8.6
STEM Ed. & Account.	80.0	67.0	67.0	65.7	65.6	-3.7	3.7	65.6	-1.4
Cross Agency Support	**2,994.0**	**2,847.5**	**2,823.0**	**2,770.0**	**2,764.5**	**-150.6**	**97.1**	**2,711.0**	**-136.5**
CECR	**390.0**	**619.2**	**680.0**	**667.2**	**665.9**	**-19.3**	**14.3**	**660.8**	**41.6**
Inspector General	**38.3**	**37.0**	**38.0**	**37.3**	**37.2**	**-1.9**	**-0.3**	**35.0**	**-2.0**

Notes:
Amounts subject to rounding.

* Amounts in the *OMB Report to the Congress on the Joint Committee Sequestration for Fiscal Year 2013* , dated March 1, 2013.

** March 1 sequester amount adjustment pursuant to BBEDCA sec. 253(f)(2) approved by OMB April 12, 2013. The NASA-wide total adjustment is $267.4 million.

*** Original appropriation for Sandy storm recovery was $15 million in the CECR account. $0.75 million was sequestered per OMB direction.

**** Dodd-Frank Act sec. 1306 rescission of $0.335 million of remaining unobligated American Recovery and Reinvestment Act balances in the Office of Inspector General account.

CONFERENCE REPORTING

Conference Reporting Requirements

- NASA OIG – quarterly
  - NASA sponsored conferences >$20k
  - All conference attendance costing the Agency >=$100k

- External Reporting Requirement from OMB – post annually on NASA public website:
  - All conference activities costing the Agency >=$100k

- Congressional Inquiries
  - Congressman Issa: All conference activity with more than 50 attendees in 2005-2012
  - Follow-up received 3/14/13 from Congressman Issa
    - 15 named large-dollar conferences – all documents and communications relating to the named conferences
    - All documents & communications relating to conference budgets
  - Senator Coburn: All conference activity in 2010-2012

Conference Reporting Challenges

- Congressional Inquiries under sequestration have increased.
- These inquiries take time to investigate and answer.
- Congressmen Issa's follow up inquiry asks for a significant amount of data.

INTERNAL CONTROL ASSURANCES

Emerging Initiatives

- Sandy Disaster Relief Funds Internal Control Plan and Assurance
- USAspending.gov – Establishing an Integrated Quality Assurance Framework
- Improper Payments Elimination and Recovery Improvement Act (IPERIA) – Assurance/Audit Opinion

Sandy Relief Funds Annual Certification

- The Disaster Relief Act (public law 113-2) requires agencies receiving Hurricane Sandy Relief funds to prepare an internal control plan on planned actions to ensure the funds are used as intended.
- NASA received $14.25 M for sand and restoration projects at Kennedy Space Flight Center and the Goddard Space Flight Center Wallops Facility
- By June 30, 2013, GAO will review agency internal control plans.
- Beginning September 30, 2013, each Agency Head will make an **annual certification** that the appropriate controls are in place and any necessary corrective actions have been taken to mitigate risk.
- Clearly identify Sandy funding on public sites (i.e., USAspending.gov).

USAspending.gov – Establishing an Integrated Quality Assurance Framework

- USAspending.gov portal provides access to data on federal spending resulting from contract, grants, and other federal assistance (*i.e., obligations, vendor, congressional district, etc*.).

- Open Government Directive (M-10-06, December 2009) and subsequent guidance to ensure quality of data made available to the public web sites, such as, USAspending.gov.

- **Draft OMB Guidance** requires agencies to establish an integrated quality assurance framework for USApsending.gov financial data
  - Beginning October 2013, agencies are required to assign to each new financial assistance award a Federal Award Identification Number (FAIN). This unique FAIN will permit recipients to identify their award.
  - By close of FY 2014, agencies are required to develop and implement an integrated internal framework to validate the accuracy and completeness of prime contract award financial data reported to USAspending.gov.

Improper Payments Elimination and Recovery Improvement Act

- Draft Guidance requiring Audit Opinion of Internal Control Over Improper Payments

  -FY2014, Agencies are required to conduct assessment of Internal Controls Over Improper Payments

  -Results of assessment must be incorporated into existing **Management Assurance Statement – signed by Administrator**

  -IG required to review assessment for reasonableness as part of the annual improper payment compliance review; OMB reviews assurance statement to determine if agency should obtain an opinion

  -Automatic requirement to obtain an **annual audit opinion**, if management is unable to provide statement of reasonable assurance

  -All agencies must complete an assessment in 2014

Trend of Excellence

	Number of Programs In Scope	Total Program Payments	Total Amount Tested	Amount of Proper Payments	Number of Transactions Tested	Number of Proper Payments
FY 2007	5	$10,097,144,003	$71,819,879	$71,819,951	1,517	1,513
FY 2008	8	$9,494,268,369	$271,401,001	$271,396,705	4,810	4,743
FY 2009	6	$4,175,483,399	$1,443,971,558	$1,443,971,304	2,183	2,181
FY 2010	5	$3,631,633,701	$1,491,702,399	$1,491,666,072	1,517	1,515
FY 2011	7	$5,105,298,008	$2,943,934,391	$2,943,932,047	1,788	1,787
FY 2012	10	$11,956,537,453	$2,177,881,833	$2,177,881.833	1,613	1,613
Total	**--**	**$44,460,364,933**	**$8,400,711,061**	**$8,400,667,912**	**13,428**	**13,352**

Total Number of Transactions Tested in 6 Year Period	Total Number of Proper Payments in 6 Year Period	Percent of Proper Payments (Number)
13,428	**13,352**	**99.4340%**

Total Amount Tested in 6 Year Period	Total Amount of Proper Payments in 6 Year Period	Percent of Proper Payments (Amount)
$8,400,711,061	**$8,400,667,912**	**99.9995%**

Conclusion

- Status of initiatives:
  - Sandy Relief Funds – preparing detail spend plans to track project expenditures over the life of the appropriation. NASA is in the appropriate posture to **provide assurance** by the Administrator.
  - Draft USAspending.gov (data quality) guidance – OCFO will assess compliance and implement appropriate action to meet requirements by the end of FY 2013 and **provide assurance** by November 2014.
  - Draft Improper Payments Elimination and Recovery Improvement Act guidance – NASA's goal is to conduct early implement assessment in 2013 and be positioned to **provide reasonable assurance** over internal control
- OCFO has a mature internal control program and is fully compliant with applicable requirements regarding financial reporting, improper payments, and recapture audit.
- The financial community is well positioned to continue to meet expected expanding internal control requirements.

FY 2013 FINANCIAL STATEMENT AUDIT UPDATE

Results of the FY 2012 Audit

PwC rendered an unqualified opinion on NASA's FY 2012 financial statements. PwC also reported:

- Significant deficiency related to the Environmental Liabilities Estimation Process

- Status of Significant Deficiencies reported for FY 2011:
  - Closure of deficiency related to Privileged User Access Controls
  - Deficiency related to Environmental liabilities remained

- No instances of noncompliance with applicable laws and regulations came to PwC's attention

Results of the FY 2012 Audit (continued)

PwC also issued a Management Letter that included other findings and recommendations on financial and IT matters:

- These findings did not rise to the level of a material weakness or significant deficiency
- Nine (9) financial findings and 30 IT findings were reported to management
- PwC also reported on the status of prior year recommendations:
  - 3 of 6 prior year financial findings were considered closed.
  - 10 of 22 prior year IT findings were considered closed.
- PwC's FY 2013 audit procedures include inquiries of management and testing regarding the status of these recommendations from FY 2012

Areas of Emphasis for FY 2013

Currently, limited planning has been completed; however, PwC's approach anticipates testing across the following:

- **Government Owned, Contractor Held Property**
  - Reporting by contractors
  - Management monitoring and reporting controls
- **Environmental Liabilities**
  - Identification and categorization of sites
  - Estimation of liability amounts
  - Assessment of management's assumptions to calculate the liability
  - Test compliance with Technical release 2006-1 (accounting for Asbestos clean–up cost)
- **Financial Reporting**
  - Roll up/crosswalk of general ledger to the external financial statements and disclosures
  - Interim financial statement and note packages
- **Expenses, including Grants**
  - Monitoring of timely contract and grant close-out and proper expense reporting
  - Completeness and accuracy of liabilities and costs related to termination of contracts

Information Technology

Systems and technology are of critical importance to process, record, and report the financial results of NASA's operations. PwC's FY 2013 testing will focus on the following areas:

- Information Technology General Controls (ITGCs) over financially significant system environments, including NEACC and the GSFC CHATS environment
- Application Controls over systems deemed financially significant, including key SAP automated configurable controls, CHATS application controls, limited Web TADS application controls, and Payment Management System (PMS) third party controls
- Internal and external network penetration testing for systems which support the preparation of the financial statements
- Operating System and Database diagnostic testing

Increase Focus on Audit Quality

- **New standards – and feedback from PwC's regulator – are impacting the extent of audit testing and required documentation related to significant risks.**
- **Among other things, these standards require:**
  - Enhanced consideration and documentation of the risks of material misstatement, selection and disclosure of accounting principles and the Agency's measurement of financial performance
  - Expanded inquiries of management about the risk of fraud and error
  - Changes in sampling guidance related to testing certain populations
  - Increased expectations to obtain independent evidence corroborating key management assertions and assumptions

Leveraging the Work of Management

PwC will continue to improve efficiency of the audit by updating its understanding of NASA's financial management internal controls by reviewing updated documentation.

The following are examples of some areas that may be considered for review:

- Updated Process Narrative, Process Flowcharts and Control Documentation, prepared to comply with the requirements of OMB Circular A-123, Appendix A
- NASA's Continuous Monitoring Program (CMP) and updated processes will be considered during Planning phase site visits
- NASA's Evaluation Monitoring and Testing (EMT)

Timing and Execution of the Audit

Timeframe	Phase	Activities
February – April	Planning	Hold entrance conference Hold interviews with key members of NASA's management or designee to obtain an understanding of the internal controls over financial reporting Perform scoping activities including performing Planning phase site visits Perform preliminary assessment of internal controls
April – May	Internal Control	Continue to gain an understanding of internal controls Assess design of internal controls Determine nature, timing and extent of test of internal controls Perform non-sampling internal control tests
May - August	Testing (Interim)	Perform interim internal control, compliance, and substantive tests Assess status of prior year recommendations (Financial and IT)
September - December	Testing (Year-end) Reporting	Perform year-end internal control, compliance and substantive tests Confirm adequacy of scope and audit testing Evaluate test results Complete other audit procedures Determine conformity with GAAP Report audit final results to NASA and OIG

ENVIRONMENTAL LIABILITY ESTIMATION

ENVIRONMENTAL LIABILITY UPDATE

FY 2012 Audit by PriceWaterhouseCoopers (PwC):

- PwC conducted onsite remediation UEL audits at Kennedy, White Sands and Marshall (including Michoud and Santa Susana).
- PwC issued an NFR (significant deficiency) associated with SFFAS #5 (Remediation).
  - The Joint Review Process did not detect errors independently noted by PwC within the restoration environmental liability estimate.
  - Procedures that guide the local joint review process performed at the Centers do not describe the details requirements for the Centers to detect errors in the estimates.
- PwC issued three NFRs (significant deficiency) associated with SFFAS #6 (Property, Plant & Equipment). Improvements are needed to:
  - NASA's Environmental Liabilities Estimation Policy specific to Space Plant, Property and Equipment (PP&E).
  - NASA's Environmental Liabilities Estimation Policy and Related Analyses for PPE/ Non-Shuttle Real and Personal Property.
  - NASA's Validation of their Permitted Facilities.

ENVIRONMENTAL LIABILITY UPDATE

Progress on NFRs to date:

- **Restoration Projects [Remediation] (SFFAS #5)**
  - Additional RPM and Center CFO staff training held in Feb 2013.
  - HQ implemented new Center-level controls to review estimates before submitting them for the HQ Joint Review.
  - An updated remediation UEL process document (including the new Center-Level Review) for FY 2013 and subsequent years has been signed and distributed.
  - NETS Xpress is now fully functional as the vehicle for capturing and estimating (where a parametric model is needed) remediation UEL. Certain parametric models have been updated for FY 2013. RPMs indicate that NETS Xpress is more intuitive than IDEAL.
  - The Joint Review process for FY 2013 is scheduled to be complete by the end of June 2013.
  - PwC will “shadow” the HQ Joint Review at Ames Research Center (5/23-24).

ENVIRONMENTAL LIABILITY UPDATE

Progress on NFRs to date:

- **Property, Plant, & Equipment (SFFAS #6)**
  - HQ OCFO and EMD formed a working group that has met regularly to develop a policy and procedure for estimating cleanup cost to comply with accounting standards.
  - Develop an approach to calculate an average cleanup cost estimate for capital assets based on a sample of assets across all Centers (including Shuttle capital assets).
  - Center support will be necessary to develop the estimates for the sampled capital assets (~190 assets across the 10 Centers).
  - Permitted facilities will require response forms from all installations.

ENVIRONMENTAL LIABILITY UPDATE

Asbestos Cleanup Requirements:

- In the past NASA did not have a policy to recognize a liability for the removal of asbestos. The Technical Bulletin 2011-2 extended the Effective Date for reporting to periods beginning after September 30, 2012 (FY 2013).

- Financial Management Division developed a new policy and procedure for estimating asbestos cleanup cost to comply with accounting standards.
  - FMD developed a cost factor model, using MSFC estimates, which can be applied to properties at other Centers based on square footage.
  - No Center involvement is required beyond MSFC.
  - The estimate will be recorded by May 2013.

AUDIT, FINANCE, AND ADVISORY COMMITTEE – OBSERVATION

Audit, Finance, and Advisory Committee - Observation

HQ OCFO should work with the Environmental Management Division regarding asbestos liability to proactively ease committee members' concern about unique and one-off facilities not found at the Marshall Space Flight Center (i.e., aircraft hangers, astronaut training facilities, wind tunnels, etc.) that may cause the financial statement auditors to question NASA's asbestos estimation methodology.